RJ Reynolds
Tobacco Company

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SENT VIA E-MAIL
October 30, 1997

TO: Rich Kane, Mark Young, Jay Loftin, Jim Piscitelli, Bill Roth, Peter Schmidt, Larry Poole

Subject: **Merchandising Objectives**

As a follow-up to our recent meeting, I just wanted to reemphasize several points that I believe are key to our merchandising objectives now and going forward:

- Everyone **must** understand our objective is to secure the best possible execution of the 3 P's for the lowest possible cost to RJR.

- To a certain degree, some of our people seem to have an objective of driving retailers to throw P.M. out of their stores. In many cases, they are willing to make-up a significant portion of the R.D.A.'s the retailer lost from P.M., without gaining anything significant for RJR. First, any decision to stop participating in P.M.'s program should be the retailers and retailers alone. If the retailer does make this decision, we should not, as a company, be willing to make-up or subsidize the lost P.M. R.D.A.'s. Obviously, if the above described did occur, we would want to work with the retailer from an industry approach to maximize R.D.A.'s from the remaining companies.

I would appreciate you ensuring your people fully understand these points.

Dave

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